

**Report to the Senior Executive Council,
Department of Defense**

MANAGEMENT INFORMATION TASK GROUP

Report FY02-3

- **Review of progress on the Financial Management Modernization Program (FMMP)**

December 18, 2002

Report Documentation Page				Form Approved OMB No. 0704-0188	
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1. REPORT DATE 18 DEC 2002		2. REPORT TYPE		3. DATES COVERED 00-00-2002 to 00-00-2002	
4. TITLE AND SUBTITLE Management Information Task Group				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Defense Business Board,1155 Defense Pentagon,Washington,DC,20301-1155				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT Same as Report (SAR)	18. NUMBER OF PAGES 32	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			

MANAGEMENT INFORMATION TASK GROUP REPORT

FMMP REVIEW

TASK: The Defense Business Practice Implementation Board (DBB) was tasked with providing an outside review of progress on the Financial Management Modernization Program (FMMP). The review focused on program management metrics and an overall assessment of the scale, scope, and leadership of the effort.

- DBB Task Leader: Neil Albert
- DoD Liaison: Catherine Santana, FMMP Program Manager

PROCESS: The task team worked with Ms. Catherine Santana over the course of several months providing guidance and feedback on the FMMP process. Ms. Santana briefed Mr. Albert and his task group individually and also provided briefings to the assembled DBB at several quarterly meetings. The task group focused on developing recommendations in the following areas:

- Program schedule
- Program management metrics
- Software acquisition best practice processes
- Implementation approach

The team provided multiple high level observations on the progress of the FMMP program to date, and developed a broad set of recommendations geared toward reducing the implementation risk going forward.

RESULTS: The substantive findings and advice of the Task Group were developed for the Under Secretary of Defense (Comptroller) and the Senior Executive Council (SEC). This presentation was briefed to the entire DBB on November 21, 2002 and to the Deputy Chief Financial Officer on November 26, 2002. An updated version of the presentation, which is attached, outlines the observations and recommendations of the Task Group as deliberated by the entire Board.

Defense Business Practice Implementation Board

High Level Observations

1. Software Development Structure—Tasks and work structure have been planned and deliverables defined.
2. Cost and Schedule Management—
 - Not clear that budget and schedule to meet performance are determined.
 - Concern that program is pushing the envelope on size and scope.
 - Predetermined end-dates appear to be driving the effort--better to work out requirements before design and test.
3. Risk Assessment—No real risk assessments being made.
4. Staffing—Additional expertise needed; must move now to fill positions.
5. Implementation—To avoid death from its own weight, program must have clear phased implementation plan.

Summary Recommendations

1. Plan—Due to ambitious nature of the program, a clearer plan is required:
 - Need better understanding of deliverables (received and expected).
 - Huge architecture is not well-understood.
 - Metrics have improved, but more need to be developed to predict project success.
2. Leadership and Control—IT modernization is a multi-year process that requires consistent senior leadership and control:
 - Leadership (FMMP-specific): Need IT development/integration experience with bona fide experience with large-scale systems integration to support program manager.
 - Leadership (DoD-wide): A Deputy Secretary for Management with a term appointment should be considered to ensure continuity of effort.
 - Control: Head of FMMP effort must be able to control flow of dollars to all financial IT efforts across the department; current situation unclear.
3. Building Alliances—Define benefit of program, communicate it, and create advocates by leveraging current system successes.

Defense Business Practice Implementation Board

- Benefits: Define how much the program will save and how it will make life better for the services/agencies compelled to participate.
 - Communications: Proactive change management effort and promotion of effort should be underway to build buy-in prior to implementation.
 - Leverage: Take an approach that current/previous ERP work throughout the Department has value. Leverage systems built on COTS platforms that fit the overall architecture.
4. Implementation—Understand that nothing breeds success better than success.
- Start with a pilot to create digestible success stories.
 - Identify phases that follow directly from pilot.
 - Create positive incentives for participation in pilots.
 - Look for relatively quick wins that demonstrate progress.
 - Create a marketing plan/strategy for DoD and Congress to build support.
 - Take advantage of SecDef's commitment to the program.
 - Establish a change management team.

PROGRAM UPDATE: Since the initial delivery of draft versions of this report, the FMMP has undergone management changes that address many of the observations and recommendations of the report. Specifically, the Deputy Chief Financial Officer has taken steps to reduce the management responsibilities of the program manager and will be hiring a more senior IT professional to provide broader oversight for the program. Additionally, at the direction of the Under Secretary of Defense (Comptroller), the program will undergo a “scaleback” in scope in order to bind the effort to a more attainable set of deliverables. The DBB Task Group agrees with the adjustments to the program which have been initiated and will continue to monitor its progress as requested.



DEFENSE BUSINESS PRACTICE IMPLEMENTATION BOARD

FMMP Feedback

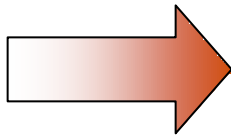
Final Report
December 2002

The top of the slide features a blue header. On the left, there is a faint, blue-tinted image of several people in a meeting. On the right, there is a large, faint seal of the Department of Defense, which includes an eagle and the words "DEPARTMENT OF DEFENSE" and "UNITED STATES OF AMERICA". A bright blue starburst with a trailing line is positioned in the upper right corner of the header.

Presentation Overview

- Introduction
 - Task Group Members
 - Objectives, Scope and Process
- Observations
- Recommendations
- Next Steps

Presentation Overview



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Management Information Task Group

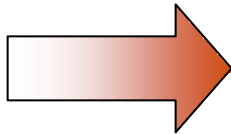
- **Neil Albert (Chairman)**
- **Bob Hale**
- **Travis Engen**
- **Phil Merrill**
- **Arnold Punaro**
- **Mortimer Zuckerman**

Objectives, Scope and Process

- **Apply private sector best practices to help Comptroller monitor Financial Management Modernization Program**
- **Focus on:**
 - Program schedule
 - Program management metrics
 - Software acquisition best practice processes
 - Implementation approach
- **Multiple working sessions between Neil Albert, DBB, and FMMP team**
- **Directional recommendations based on past experience and expertise--no outside consultants employed**

Presentation Overview

- Introduction
 - Vision
 - Task Group Members
 - Objectives, Scope and Process



- **Observations**
- Recommendations
- Next Steps



Observations

- **Software Structure**
- **Cost and Schedule Management**
- **Risk Assessment**
- **Staffing**
- **Implementation**



Software Acquisition Issues

Historically, best practices with software acquisition have shown issues arise if the following factors are not considered regularly:

- **Managing to a project WBS and activity network**
- **Developing a current credible schedule and budget**
- **Understanding schedule compression percentage**
- **Identifying Top Project Risks**
- **Ensuring appropriate staff expertise**
- **Managing implementation**

Project WBS and Activity Network

- Identify critical path items
- Provisions for work not in WBS
- Definition of Program with dependencies
- Tasking has well defined deliverables

Observation: Tasks and work structure have been planned and deliverables are defined

Developing a Current Credible Budget and Schedule

- Schedule based on historical and quantitative performance estimates
- Quality assurance activities built in
- Schedule for next 3-6 months is as detailed as possible
- Performance can meet schedule and budget

Observation: *Not clear that budget and schedule to meet performance are determined. Concern that pushing the envelope on size and scope of effort*

Schedule Compression

- Schedule based on bottom-up estimates, not by predetermined end-dates
- Project avoids extreme dependence on specific individuals
- Functionality decreases proportionally to the percent of schedule compression
- Time will need to be made up in later phases

Observation: *Predetermined end-dates appear to drive the effort. What will be missed in the front end will be costly in the back end. Better to work out requirements before design and test*

Top Risk Items

- Risk Management Officer assigned
- Project personnel encouraged to become risk identifiers
- Identification of user requirements reviewed continuously
- Risks changing over time (by phase)

Observation: *Appears real risk assessments not being made. Barriers are considered but project efforts are probably not being addressed due to magnitude of response*

Staff Expertise

- **Current staff has worked hard on tough issue**
 - Has brought together good cross-section of personnel
 - Has managed first phase of an enormous project
- **Additional expertise may be needed in govt.**
 - Architectural expertise
 - How do you understand and implement?
 - System implementation
 - Implementation will require major system changes
 - Management talent scarce (most agencies making system changes)
 - Need to hire some senior expertise and grow more
 - Acquisition expertise
 - To formulate a strategy and manage an enormous project

Observation: Evaluate needs for additional expertise and move now to begin to fill them

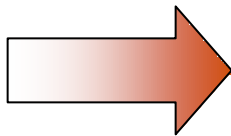
Implementation Issues

- Experience shows that overly broad programs tend to fail, or proceed very slowly
- FMMP is awesome in its breadth
 - May be larger than any Federal architecture/IT program
 - Aside: rename as “DoD IT Modernization Program”
 - Would avoid undue focus on financial aspects

Observation: *To avoid death from its own weight, program must have clear, phased implementation plan that eats “elephant” one bite at a time*

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Recommendation Areas

- **Plan**
- **Leadership and Control**
- **Building Alliances**
- **Implementation**

Plan

*Due to the ambitious nature of the program,
a clearer plan is required.*

- **Must have better understanding of:**
 - what you actually got after spending initial funding, and
 - what you will actually get for the next amount funding?
- **Huge architecture with unconstrained strawman has been developed:**
 - Does anyone other than Team IBM understand it?
 - Is any Government qualified expert providing a detailed sanity check? Is one even possible?
 - Business practices are important, but ultimately constraining the process for a quick and meaningful success is important

Plan (cont.)

*Due to the ambitious nature of the program,
a clearer plan is required.*

- **Management Metrics:**
 - **Earned Value Metrics** have been improved since initial set
 - **Appear to focus on the right measures with respect to acceptance/completion of deliverables**
 - **Need to develop some metrics to monitor cross-departmental buy-in/participation**
 - **Current metrics will monitor whether you meet deliverable dates, but do not provide any insight into whether program can be implemented successfully**

Leadership and Control

IT modernization is a multi-year process that requires consistent senior leadership and control.

- **Leadership**

- **FMMP**

- Leadership must include an IT development/integration expert to support PM
 - Needs familiarity/experience/bona fide success with large-scale systems integration

- **DoD**

- A Deputy Secretary for Management, or equivalent, with a term appointment and sustained tenure beyond current Administration
 - Champion with a direct line to the Secretary to ensure continuation of initiatives



Leadership and Control (cont.)

IT modernization is a multi-year process that requires consistent senior leadership and control.

- **Control**
 - Head of FMMP effort must be able to control dollars flowing to all financial IT efforts across the department
 - Current situation is unclear, service/agencies still pursuing some systems independently



Building Alliances

Define benefits of the program, communicate it, and create advocates by leveraging current system successes

- **Benefits**
 - How much money will this program save?
 - How will it make life better for the services/agencies compelled to participate?
- **Communications**
 - Must be thinking/planning change management now.
 - Proactive efforts to promote benefits throughout the department.
 - Build buy-in before you begin implementation.

Building Alliances (cont.)

Define benefit of the program, communicate it, and create advocates by leveraging current system successes

- **Leverage**

- Take approach that current/previous work (Civilian HR system, Army and Navy ERP implementations, etc.) adds value
- While no system meets all requirements, those built on a modern COTS platform (Oracle, SAP, Peoplesoft, etc.) have basic characteristics necessary to fit in the architecture
- Where there is shortcoming:
 - Identify the area of shortcoming or desired change
 - Fund it
 - Get appropriate modifications as well as the buy-in of the system "owner"
- Incentivize improvement

Implementation Approach

Nothing breeds success better than success

- **Start with a pilot - digestible success stories**
 - Focus on crossing multiple functions and/or services
 - Create target for services and Defense Agencies to aim at as they upgrade their financial applications to fit in the architecture
 - Same for "feeder" systems (HR, logistics, etc.) which serve as source systems for data that ends up in financial systems
- **Identify phases that immediately follow pilot, explicitly and in some detail**

Implementation Approach (cont.)

Nothing breeds success better than success

- **Create positive incentives**
 - USD(C) pay more of costs for early volunteers
 - Consider "flyoff" giving the existing applications the ability to compete against the architecture framework and each other
 - To see who gets funding to bring them up to standards needed by FMMP and the DoD
 - By providing the funding FMMP would also be able to exercise greater control over the outcome
- **Look for (relatively) quick wins**
 - Must be consistent with architecture but may require some "brute force" work
 - Survey need for cost info and meet some key needs
 - Go for a major audit victory (perhaps Statement of Budgetary Resources per Friedman report)

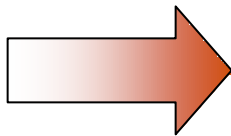
Implementation Approach (cont.)

Nothing breeds success better than success

- **Create marketing plan for DoD and Congress**
 - Emphasize phased approach – to be credible
 - Support with cost benefit analysis
- **Take advantage of SecDef's commitment**
 - e.g. develop and ask SecDef to dictate a standard fiscal code
- **Establish change management team**
 - Specialists assigned to each major functional area

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Next Steps

The DBB Will Continue to Provide Support to FMMP as Requested

- **Recommend that FMMP program manager updates DBB at each scheduled quarterly meeting**
- **Interim briefings with findings and advice by Board delivered as specifically tasked**
- **Potential new tasks:**
 - Detailed quantification of benefits of program
 - Scaleback review
 - Others (to be discussed by Board)



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